

# EQ BOARDROOM

## Bulletin



Welcome to our monthly bulletin of what's happening within the financial services industry that impacts the share registration and employee share plans space.



PAUL MATTHEWS  
CEO, EQ BOARDROOM

It is the time of year when many of our clients are busy preparing or finalising the content of their Annual Report. If you are going through this process you will know that corporate governance reporting, in particular Environmental and Social

aspects, now requires acute focus as it becomes more relevant to the investor community.

On January 30 the Financial Reporting Council released the long awaited consultation on their proposed revisions to the Stewardship Code. As expected the changes bring the Stewardship Code into line with the Corporate Governance Code containing sections, principles and provisions and asks the investment community to define and focus on their purpose, values, strategy and culture. The new Code also makes explicit reference to environmental, social and governance (ESG) factors, including climate change, and requires the investors to consider the impact of material ESG factors when fulfilling their stewardship duties.

This month our team at Boudicca (Equiniti's proxy voting specialists), will be hosting a forum to bring together company secretaries and corporate governance managers to exchange views and discuss topical issues. I'm sure the impact of ESG reporting along with the Stewardship Code consultation will be discussed as well as other items contained within this bulletin.

I hope you find this bulletin of value. If you have any feedback or would like to discuss any of the content further please contact your Relationship Manager.

## ARTICLES IN THIS EDITION COVER:

### Corporate governance

- FRC consults on changes aimed to strengthen the Stewardship Code
- Government review into standards in the UK audit market
- Business, Energy and Industrial Strategy publishes its Good Work Plan

### Information to be included in Annual Reports

- Gender pay gap reporting
- Preparing for your AGM
- "Artificial Intelligence – How does it measure up?"

### Other highlights

- Equiniti teams execute biggest corporate action in Japanese history

### Events

- Boudicca networking event unites women in corporate governance

## DATES FOR YOUR DIARY

### TUESDAY 12 FEBRUARY

#### Women's Company Secretary Circle networking drinks

Please contact Boudicca for an invitation to this event

### WEDNESDAY 6 MARCH

#### FTSE 250 Networking

For an invitation to this event, please speak to your Relationship Manager

### WEDNESDAY 13 MARCH

#### Quarterly Client Equivalence Forum

For an invitation to this event, please speak to your Relationship Manager

## CORPORATE GOVERNANCE

### FRC consults on changes aimed to strengthen the Stewardship Code

The Financial Reporting Council (FRC) is consulting on changes to the Stewardship Code with a view to set substantially higher expectations for investor stewardship policy and practice.

The changes to the Code focus on how effective stewardship can deliver sustainable value for beneficiaries, the economy and society.

Including increased demand for more effective stewardship and investment decision-making the proposed main changes to the Code include:

- Purpose, values and culture - Investors must report how their purpose, values and culture enable them to meet their obligations to clients and beneficiaries. This aligns the Code with the UK Corporate Governance Code and encourages embedding behaviour conducive to effective stewardship in the investor community.
- Recognising the importance of ESG factors - The proposed Code now refers to environmental, social and governance (ESG) factors. Signatories are expected to take material ESG issues into account when fulfilling their stewardship responsibilities.
- Stewardship beyond listed equity- The proposed Code now expects investors to exercise stewardship across a wider range of assets where they have influence and rights, in the UK and globally.

The proposed 2019 Code sets out more rigorous requirements for reporting, focusing on how stewardship activities deliver outcomes against objectives. Reporting will be subject to increased oversight by the FRC to ensure the Code is effective in raising the quality of stewardship across the investor community.

Sir Win Bischoff, Chair of the Financial Reporting Council said:

“The new Stewardship Code will play a key role in complementing the stronger corporate governance provisions that took effect at the start of this year. The FRC conducted extensive outreach in early 2018 to inform this review of the Stewardship Code. It recognises the significant changes in the investment industry and stewardship landscape since the 2012 revision. It sets both higher expectations for stewardship practice and introduces more rigorous public reporting with a focus on outcomes and effectiveness. We believe the changes proposed put it at the forefront of stewardship internationally.”

Comments on the questions set out in the consultation document should be submitted to [stewardshipcode@frc.org.uk](mailto:stewardshipcode@frc.org.uk) by 29 March 2019

Further information can be found [here](#)

## Government review into standards in the UK audit market

The Government has announced a review into standards in the UK audit market which will be chaired by Donald Brydon, former chairman of the London Stock Exchange.

The Brydon Review will build on the report by John Kingman into the Financial Reporting Council and the interim findings of the Competition and Markets Authority into competition in the audit market.

The review will specifically look at:

- How far audit can and should evolve to meet the needs of investors and other stakeholders, putting the UK at the forefront;
- How auditors verify information they are signing off;
- How to manage any residual gap between what audit can and should deliver;
- What are the public's expectations from audit;
- Can the current model be made more effective;
- How audit should be developed to better serve the public interest.

A detailed Terms of Reference and project plan will be published in the New Year.

The Government's announcement is available [here](#).

## Business, Energy and Industrial Strategy publishes its Good Work Plan

The Taylor Review of Modern Working Practices, published in July 2017, made 53 recommendations to Government.

The Government, in a response published in February 2018, accepted most of these recommendations and launched four consultations looking at issues such as employment status and enforcement of employment rights. The Department for Business, Energy and Industrial Strategy has now published its Good Work Plan which draws on the results of these consultations.

The Good Work Plan sets out:

- The Government's vision for the future of the UK labour market; and
- How the Government will implement the recommendations arising from the Taylor Review.

Many of the recommendations will require legislation and cover wide ranging issues such as improving the clarity of employment status tests, banning employers from making deductions from tips and giving workers entitlement to a statement of rights on appointment.

The Good Work Plan is available [here](#).

## INFORMATION TO BE INCLUDED IN ANNUAL REPORTS

### Gender pay gap reporting

The Government's response to the Business, Energy and Industrial Strategy (BEIS) Committee's report on gender pay gap reporting has been published.

The BEIS Committee's report was published on 2 August 2018 and called for the widening of reporting requirements to smaller companies, publishing action plans and narrative reports by companies into what they are doing to close the gender pay gap.

The response from the Government is that at this time it does not intend to extend reporting requirements nor to require publication of plans to tackle the pay gap. The Government cites initiatives that are already in place, for example to examine the possibility of introducing ethnicity pay reporting.

The report is available [here](#).

### Preparing for your AGM

The AGM season is here and companies are once again under the spotlight from their investors.

At Equiniti, we are committed to supporting you in the upcoming season as you navigate the plethora of new codes and guidelines introduced in 2018 and the ever increasing scrutiny over ESG issues and remuneration.

We have published our 2019 Season Forecast which predicts the trends for 2019 covering:

- ESG
- Shareholder Engagement
- Remuneration / Pensions
- Diversity
- Auditor Issues
- Employee Representatives
- Board Accountability

Download our Forecast [here](#).

## "Artificial Intelligence – How does it measure up?"

The Financial Reporting Lab (Lab) has published a report entitled "Artificial Intelligence – How does it measure up?"

This report continues the Lab's work into how technology may influence corporate reporting. It sets out what artificial intelligence (AI) is and possible applications in corporate reporting.

There are three specific areas that the report considers AI may be used in the future to assist companies in reporting. These are in:

- The efficiency of recording and aggregating transactions, across multiple entities, and then turning that data into an external communication;

- The efficiency and effectiveness of providing internal or external assurance over the resulting communication; and
- The effectiveness of consuming information reported by the company and translating information into insight and actions.

The report considers some of the areas that company boards need to look at when using AI and concludes that AI will eventually provide an answer to improving efficiency in these areas, noting that AI is already capable of helping companies with production, distribution and consumption of reports.

The Lab's report is available [here](#).

## OTHER HIGHLIGHTS

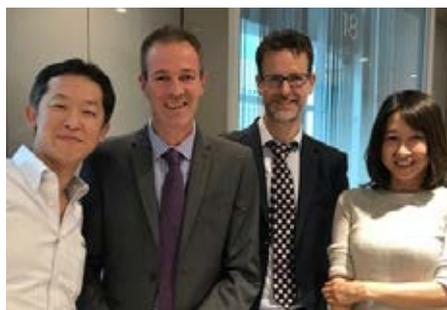
### Equiniti teams execute biggest corporate action in Japanese history

Equiniti's Corporate Action team have broken a string of records after managing the cash settlement of the biggest corporate action in Japanese history.

The team received and settled a record US\$27,163,759,460.76 into the market on Tuesday morning as appointed receiving agent for the takeover of Irish-based biotechnology business Shire plc by Takeda Pharmaceutical Company Limited, the largest pharmaceutical company in Japan.

The money settled through EUI, the largest amount of US Dollars ever paid via the new central money settlement process through the Federal Reserve which came into force on 1 October last year. Gavin Lane, Director Service Operations for EQ Boardroom said:

"This phenomenal Corporate Action has demonstrated the power of our teams and what can be achieved when our people, their skills and knowledge come together. This achievement demonstrates the power of our 'EQ Global Corporate Action' proposition.



Gavin Lane and Jon Mclean of Equiniti in Takeda's offices in Tokyo with Takeda contacts, Kengo Shimizu and Miho Kumazawa

## EVENTS



### Boudicca networking event unites women in corporate governance

Boudicca Proxy is promoting women in corporate governance by bringing together female company secretaries at their **Women's Company Secretary Circle (WoCoS)**.

Their next event will be chaired by Boudicca's **Principal Corporate Governance Officer, Karoline Herms**. The aim of the Circle is to unite the many talented female Company Secretaries who manage their boards through these ever changing times with enthusiasm, knowledge and patience.

The first meeting held last year brought both female company secretaries and corporate governance managers together, to exchange views, share insights and discuss topical issues. The Boudicca team will host the next event at London's Sky Garden in February.

Please contact Boudicca for an invitation to the event on Tuesday 12 February.

